



**Office of Enterprise Risk Management**  
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December 15, 2010

### **AGENDA ITEM 3b**

#### **TO: MEMBERS OF THE AD HOC RISK MANAGEMENT COMMITTEE**

- I. SUBJECT:** Enterprise Risk Management Report
- II. PROGRAM:** Enterprise
- III. RECOMMENDATION:** Information
- IV. ANALYSIS:**

In September 2010, the Governance Risk Management Initiative (GRMI) recommended the establishment of the Office of Enterprise Risk Management (OERM) to provide reassurance that management's approach to risk is in alignment with CalPERS strategic goals and objectives, and, as necessary, escalate issues to the Chief Executive Officer and the Board of Administration (Board). In addition, the GRMI recommended that Executive Staff convene as the Enterprise Risk Management Committee (ERMC) to discuss and ensure that significant risks to CalPERS are identified and managed on an ongoing basis.

At the first meeting, in November 2010, the ERMC discussed several significant areas of opportunity and risk, their ability to affect the achievement of goals and objectives, and the potential speed with which they could impact the organization. Based on this discussion, the ERMC prioritized the following top high-level enterprise risks:

1. Investment Performance
2. Reputation / Political
3. Information Security
4. my|CalPERS
5. Governance
6. Health Care Reform
7. Cost of Benefits
8. Pension Benefits
9. Workload Management
10. Succession Planning

Descriptions of these risks are provided in Attachment 1.

As a first step in managing these risks, the OERM has examined how they are addressed in the 2010-11 and the draft 2011-12 Business Plans. As shown in Attachment 2, all 10 risks are currently addressed in both the current and future year Business Plans. In addition, several enterprise initiatives not included in the Business Plan are designed to mitigate or avoid these risks.

As the OERM and the ERM continue to develop and mature, mitigation strategies will be developed and documented for each risk. The ERM will ensure owners are identified for all risks and mitigation strategies, and will provide summary reports to the Board that detail top risks along with their priority, mitigation status, and historical trends. This reporting will give the Board an “at a glance” view of what exposures CalPERS is facing, and what is being done to protect stakeholder interests.

As development of the 2011-12 Business Plan progresses, the OERM will ensure that consideration of risk continues to play a role in directing and prioritizing enterprise energy and resources. In addition, the OERM will ensure enterprise risk assessments are built into the front end of future Business Planning cycles, providing enhanced awareness and consistency of risk management.

**V. STRATEGIC PLAN:**

This recommendation supports Goal II of the Strategic Plan, which states that CalPERS is committed to fostering “a work environment that values quality, respect, diversity, integrity, openness, communication, and accountability.”

**VI. RESULTS/COSTS:**

There are no costs associated with this item.

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Attachments